

## Message Text

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ACTION OES-05

INFO OCT-01 EUR-12 EA-07 IO-11 ISO-00 DODE-00 EB-07 NRC-05

NSAE-00 USIA-06 TRSE-00 ERDA-05 CIAE-00 COME-00 FEA-01

ACDA-05 INR-07 L-03 NSC-05 /080 W

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P 110906Z MAR 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 7610

INFO USERDA GERMANTOWN PRIORITY

AMEMBASSY MOSCOW

C O N F I D E N T I A L TOKYO 3691

E.O. 11652: GDS

TAGS: PFOR, TECH, JA, UR

SUBJECT: JAPANESE SALE OF NUCLEAR EQUIPMENT TO USSR

REF: A. STATE 53351 B. TOKYO 3385 C. TOKYO 2130

D. TOKYO 2086

SUMMARY: DESPITE GLOSS PUT ON BY PROPONENTS OF A JAPAN-USSR COOPERATIVE NUCLEAR POWER PLANT MANUFACTURE PROJECT, FONOFF DOUBTS PROJECT CAN BE REALIZED. FONOFF AND MITI, BELIEVE PROPOSAL WOULD HAVE TO BE SUBMITTED TO COCOM; FONOFF QUESTIONS WHETHER US TECHNOLOGY MIGHT NOT BE INVOLVED IN JAPANESE INPUT. GOJ WILL SCRUTINIZE PROPOSAL CLOSELY AS IT DEVELOPS AND KEEP IN TOUCH. WE ALSO LEARNED THAT SOVIETS OFFERED TO PAY WITH URANIUM ENRICHMENT SERVICES. END SUMMARY.

1. DURING DISCUSSION WITH FONOFF FIRST EE DIVDIR ARAI, HE ASSURED US OF FONOFF'S KEEN ATTENTION TO KEIDANREN INTEREST IN JAPANESE COMMERCIAL MANUFACTURE OF RUSSIAN DESIGNED NUCLEAR REACTOR COMPONENTS. HE ASSURED US THE PROPOSAL WOULD RECEIVE THE CLOSEST GOJ SCRUTINY. PROPOSAL IS STILL IN KEIDANREN'S HANDS BUT MUST BE BROUGHT TO GOJ FOR APPROVAL AND ARAI EXPRESSED SERIOUS CONFIDENTIAL

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DOUBTS THAT THE PROPOSAL COULD BE APPROVED.

2. HE COMPARED THE PROJECT WITH SIMILAR ONE, ALSO ON SOVIET INITIATIVE, TWO YEARS AGO PROPOSING JAPANESE ASSISTANCE TO RUSSIANS IN CONSTRUCTION OF NUCLEAR POWER FACILITIES IN SAKHALIN. ARAI BELIEVES AS IN FORMER CASE THAT CURRENT PROPOSAL WOULD HAVE TO BE SUBMITTED TO COCOM. BECAUSE OF US-JAPAN NUCLEAR AGREEMENT AND PERVAIDING AMERICAN TECHNOLOGICAL INFLUX INTO JAPANESE TECHNOLOGY, ANY SUCH PROPOSAL MUST ALSO BE SUBJECTED TO THOROUGH SCRUTINY TO DETERMINE THAT THE EQUIPMENT OR TECHNOLOGY INPUT INTO THE SOVIET PROJECT IS TOTALLY OF JAPANESE DESIGN. ARAI EXPRESSED DOUBTS THAT THE CURRENT PROPOSAL CAN PASS THAT TEST. HE NOTED THAT HE WORKED CLOSELY WITH UN BUREAU DEPDIRGEN OTSUKA ON SUCH MATTERS AND SAID THAT OTSUKA AND HIS BUREAU COMPLETELY SHARED HIS VIEWS ON CURRENT PROJECT.

3. WE ALSO HEARD FROM FONOFF THAT SOVIETS OFFERED TO PAY JAPANESE WITH URANIUM ENRICHMENT SERVICES. GOJ REACTION TENDED TO BE NEGATIVE BECAUSE INTER ALIA VOLUME OF ENRICHMENT SERVICES TO BE PERFORMED WAS CONSIDERED INADEQUATE AND IN ANY EVENT JAPAN DOES NOT WISH TO BECOME DEPENDENT ON USSR AS SOURCE OF REACTOR FUEL.

4. WHEN STORIES FIRST SURFACED IN JAPANESE PRESS (AT SAME TIME AS REPORTS RE RADAR EQUIPMENT FOR WRANGEL HARBOR AND POSSIBLE SEAPLANE SALES TO CHINA) WE EXPLORED COCOM IMPLICATIONS WITH MITI OFFICIALS RESPONSIBLE FOR EXPORT TRADE CONTROLS (REPORTED REF D) AND WERE ASSURED THAT GOJ WOULD SEEK COCOM APPROVAL BEFORE AUTHORIZING NUCLEAR EQUIPMENT EXPORTS TO USSR SHOULD PROJECT REACH STAGE WHERE FIRM ORDERS WERE RECEIVED. WE ALSO DISCUSSED THE PROPOSAL WITH OTSUKA AND FORMER SCIENTIFIC AFFAIRS DIVDIR ETO. THE DESCRIBED PROJECT IN TERMS SIMILAR TO REF B (EXCEPT POLITICAL COMMENT PARA 7). THEY SPECULATED THAT SOVIETS WERE HAVING DIFFICULTIES MEETING EXPORT REQUIREMENTS TO EAST EUROPEANS BUT WANTED TO CONTINUE TO MONOPOLIZE SUPPLY TO THE EES DESPITE FACT THAT EES PREFERRED WESTERN MANUFACTURED PRODUCTS. SOVIETS WERE TURNING TO JAPAN TO TRY TO INCREASE PRODUCTION AND PREVENT

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WESTERN INROADS IN EE MARKETS.

5. COMMENTS: DIRGEN MORI'S COMMENT ON LEFTIST ORIGIN OF OPPOSITION TO JAPANESE NUCLEAR PROGRAMS (REF B) APPEARS TO US AS A DIVERSIONARY TACTIC. IT IS CLEAR TO US THAT JAPANESE NUCLEAR ALLERGY SPANS THE POLITICAL SPECTRUM. HOWEVER, WE ARE CONFIDENT THAT PROJECT WILL BE SUBJECTED TO CLOSE FONOFF SCRUTINY AND WE HAVE UN

BUREAU AND ARAI'S PROMISES TO KEEP IN CLOSE TOUCH AS THE PROPOSAL MAY DEVELOP.

6. THERE IS EVIDENCE THAT CERTAIN CIRCLES IN JAPAN, KEIDANREN AND ELEMENTS OF MITI ESPECIALLY, ARE INTERESTED IN MOVING JAPAN TOWARD MANUFACTURE OF NUCLEAR POWER EQUIPMENT INDEPENDENT OF IMPORTATION US COMPONENTS. SEPTEL FOLLOWS TO DISCUSS THIS DEVELOPMENT. PROPOSED DEAL WITH SOVIETS MAY THEREFORE BE RELATED TO THIS, SINCE CONSTRUCTION OF NUCLEAR POWER PLANTS IN JAPAN HAS BEEN SLOWED BY CURRENT ECONOMIC RECESSION, DECREASE IN DEMAND FOR ELECTRIC POWER, AND DIFFICULTIES IN SECURING CONSTRUCTION SITES BECAUSE OF LOCAL OPPOSITION TO NUCLEAR POWER. INCREASED EXPORTS WOULD GIVE JAPANESE ATOMIC INDUSTRY AN ENHANCED BASE LOAD.  
SHOESMITH

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